

AUDITORS' REPORT

The Members

Aero Services Credit Union Co-operative Society Limited

We have audited the accompanying balance sheet of Aero Services Credit Union Co-operative Society Limited as at 31 December 2004 and the related statements of income, appropriated funds and undivided surplus, cash flows and receipts and payments for the year then ended. These financial statements are the responsibility of the management of Aero Services Credit Union Co-operative Society Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with international standards on auditing. These standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Aero Services Credit Union Co-operative Society Limited as at 31 December 2004 and the results of its operations and receipts and payments for the year then ended in accordance with International Financial Reporting Standards.

Port of Spain,
2 February 2005



Pannell Kerr Forster

Pannell Kerr Forster
Chartered Accountants

BALANCE SHEET

ASSETS

		31 December	
	Notes	2004	2003
Cash Resources:			
Cash in hand and at bank	3	\$ 926,640	\$ 1,672,167
Short-term investments	4	<u>27,392,003</u>	<u>22,401,137</u>
Total Cash Resources		<u>28,318,643</u>	<u>24,073,304</u>
Other Assets:			
Accounts receivable and prepayments	5	1,609,562	1,333,057
Other investments	6	6,050,960	4,804,490
Loans to members	7	38,593,702	35,391,787
Fixed assets	8	<u>2,992,171</u>	<u>2,930,196</u>
Total Other Assets		<u>49,246,395</u>	<u>44,459,530</u>
Total Assets		<u>\$ 77,565,038</u>	<u>\$ 68,532,834</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:			
Accounts payable and accruals	9	\$ 874,187	\$ 1,293,221
Members' deposits		17,361,695	15,276,110
Unclaimed dividends and shares		309,677	335,726
Proposed honoraria		104,649	96,738
Gratuity payable		<u>6,784</u>	<u>-</u>
Total Liabilities		<u>18,656,992</u>	<u>17,001,795</u>
Members' Equity:			
Share capital	10	44,899,396	40,123,242
Reserve Fund		4,919,345	4,523,001
Education Fund		458,705	438,596
Development Fund		652,161	652,161
Investment Re-measurement Reserve	11	3,817,581	1,886,696
Special Reserve Fund		226,648	226,648
Undivided Surplus		<u>3,934,210</u>	<u>3,680,695</u>
Total Members' Equity		<u>58,908,046</u>	<u>51,531,039</u>
Total Liabilities and Members' Equity		<u>\$ 77,565,038</u>	<u>\$ 68,532,834</u>

 Treasurer	 Member - Board of Directors	 Member - Supervisory Committee
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The accompanying notes form part of these financial statements

INCOME STATEMENTS

	For the year ended 31 December	
	<u>2004</u>	<u>2003</u>
Income:		
Interest on loans	\$ 5,385,540	\$ 5,049,005
Investment income	2,232,207	2,061,043
Rental income	253,307	278,203
Entrance fees	6,520	3,380
Miscellaneous income	12,037	45,822
Service charge	<u>52,494</u>	<u>47,290</u>
	<u>7,942,105</u>	<u>7,484,743</u>
General and Administrative Expenses:		
Advertising and promotions	35,556	14,624
Annual general meeting	94,312	66,097
Audit fees	27,237	30,869
Bank charges, loan interest and overdraft interest	45,264	29,495
Board and committees' expenses	271,707	243,256
Computer supplies	39,470	51,395
Credit Union League dues	30,305	33,063
CUNA insurance	312,523	312,509
Depreciation and amortisation	144,739	131,852
Gifts and donations	16,480	11,460
Group Life insurance	17,485	19,924
Insurances	34,915	34,003
Interest on members' deposits	1,412,042	1,347,495
Janitorial services	35,998	35,888
Legal and professional fees	103,064	89,535
Loan loss expense	120,000	120,000
Meetings and conferences	83,204	115,290
Miscellaneous expenses	10,916	37,420
Office supplies and expenses	79,120	70,788
Other supplies	9,965	9,197
Rates and taxes	10,971	63,890
Repairs and maintenance	83,534	102,562
Salaries and staff benefits	548,742	436,103
Security	133,052	122,673
Stabilization fund	55,439	111,512
Staff training	1,045	21,618
Strategic plan expenses	37,990	14,234
Transport and subsistence	83,133	77,721
Utilities	<u>165,657</u>	<u>147,385</u>
	<u>4,043,865</u>	<u>3,901,858</u>
Net surplus for the year	<u>\$ 3,898,240</u>	<u>\$ 3,582,885</u>

The accompanying notes form part of these financial statements

STATEMENTS OF APPROPRIATED FUNDS & UNDIVIDED SURPLUS

for the year ended 31 December 2004

	Reserve Fund	Education Fund	Investment Re-measurement Reserve	Special Reserve Fund	Undivided Surplus
Balance as at 1 January 2004	\$4,523,001	\$ 438,596	\$ 1,886,696	\$ 226,648	\$ 3,680,695
Add:					
Net surplus for the year					3,898,240
(i) 10% to Reserve Fund	389,824				(389,824)
(ii) 5% of the balance to the Education Fund	-	175,421	-	-	(175,421)
	4,912,825	614,017	1,886,696	226,648	7,013,690
Entrance fees	6,520				(6,520)
Meetings and conferences		(83,204)			83,204
Education Committee Expenses		(72,108)			72,108
Adoption of IAS 39 - Unrealised gain on investments (Note 11)			1,930,885		
Proposed honoraria					(104,649)
Interest rebate paid for 2003					(146,714)
Dividends paid for 2003					(2,946,077)
Prior year adjustment re: dividends	-	-	-	-	(30,832)
Balance at 31 December 2004	<u>\$4,919,345</u>	<u>\$ 458,705</u>	<u>\$ 3,817,581</u>	<u>\$ 226,648</u>	<u>\$ 3,934,210</u>

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

	For the year ended 31 December	
	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities:		
Net surplus for the year	\$ 3,898,240	\$ 3,582,885
Adjustment to reconcile net surplus to net cash provided by operating activities:		
Loan loss expense	120,000	120,000
Depreciation and amortisation	144,739	131,852
Prior adjustment	(30,832)	11,601
Investment remeasurement surplus	1,930,885	1,886,696
Net change in accounts receivables and prepayments	(276,505)	666,429
Net change in loans to members	(3,321,915)	(362,238)
Net change in accounts payable and accruals	(515,772)	368,444
Net change in members' deposits	2,085,585	274,174
Net change in unclaimed dividends and shares	(26,049)	(44,410)
Net change in gratuity payable	<u>6,784</u>	<u>(8,400)</u>
Cash provided by Operating Activities	<u>4,015,160</u>	<u>6,627,033</u>
Cash Flows from Investing Activities:		
Purchase of fixed assets	(206,714)	(180,836)
Net change in other investments	<u>(1,246,470)</u>	<u>(2,890,660)</u>
Cash used in Investing Activities	<u>(1,453,184)</u>	<u>(3,071,496)</u>
Cash Flows from Financing Activities:		
Dividends and interest rebates paid	(3,092,791)	(2,721,941)
Increase in share capital	<u>4,776,154</u>	<u>2,125,129</u>
Cash provided by/(used in) Financing Activities	<u>1,683,363</u>	<u>(596,812)</u>
Net change in cash resources	4,245,339	2,958,725
Net cash resources, beginning of year	<u>24,073,304</u>	<u>21,114,579</u>
Net cash resources, end of year	<u>\$28,318,643</u>	<u>\$ 24,073,304</u>
Represented by:		
Cash in hand and at bank	\$ 926,640	\$ 1,672,167
Short-term investments	<u>27,392,003</u>	<u>22,401,137</u>
	<u>\$28,318,643</u>	<u>\$ 24,073,304</u>

The accompanying notes form part of these financial statements

STATEMENT OF RECEIPTS AND PAYMENTS

	For the year ended	
	31 December	
	<u>2004</u>	<u>2003</u>
Receipts:		
CUNA death benefits	\$ 285,175	\$ -
Loan repayments	13,550,103	13,594,755
Share purchases	7,732,528	8,437,000
Interest on loans	9,242,027	5,251,406
Interest on investments	1,220,824	1,242,207
Commission income – Unit Trust and FIP	33,082	56,313
Entrance fees	6,520	3,360
Members' deposits	3,414,535	6,461,395
Miscellaneous	380	665
Proceeds from investments	708,612	2,105,941
Other receipts	758	2,332
Rent received	241,575	274,539
Service charges	16,420	24,015
Value Added Tax	<u>8,728</u>	<u>-</u>
Total Receipts	<u>36,461,267</u>	<u>37,453,928</u>

The accompanying notes form part of these financial statements

STATEMENT OF RECEIPTS AND PAYMENTS *cont'd*

	For the year ended	
	31 December	
	<u>2004</u>	<u>2003</u>
Payments:		
Advertising and promotions	22,871	11,179
Annual general meeting	94,312	63,490
Audit fees	27,600	21,390
Bank charges and overdraft interest	50,312	31,428
Board and other Committee expenses	262,338	281,067
Computer costs	20,783	56,136
Credit Union League dues	33,063	33,063
CUNA death benefits	234,952	80,000
CUNA Family Indemnity Plan	4,116	19,560
CUNA insurance	338,516	311,734
Dividends	30,256	31,591
Fixed assets purchased	206,983	176,622
Gifts and donations	16,580	9,760
Honoraria	97,588	97,227
Insurances	34,915	34,810
Investments	750,000	2,455,781
Legal and professional fees	106,315	185,842
Loans granted	18,766,538	18,811,855
Loss on foreign exchange	-	32,406
Meetings and conferences	31,821	97,428
Members' cards	983	10,673
Members' deposit withdrawals and interest on deposits	8,062,554	7,618,314
Miscellaneous	8,441	26,461
Office supplies and maintenance	125,732	131,346
Property maintenance	73,671	72,394
Rates and taxes	10,917	73,725
Refreshments	11,351	8,180
Re-issued cheques	-	465
Salaries and staff benefits	482,343	405,039
Security	126,924	109,874
Share withdrawals	2,637,215	3,318,819
Special General Meeting	978	-
Stabilization fund	55,439	111,510
Strategic plan	12,290	14,434
Telephone and electricity	157,350	132,315
Training	1,045	38,618
Transport and subsistence	71,785	55,986
Value Added Tax	-	<u>11,524</u>
Total Payments	<u>32,968,877</u>	<u>34,982,046</u>
Surplus of receipts over payments	<u>3,492,390</u>	<u>2,471,882</u>

STATEMENT OF RECEIPTS AND PAYMENTS *cont'd*

	For the year ended	
	31 December	
	<u>2004</u>	<u>2003</u>
Cash balance, beginning of the year	\$ 23,586,461	\$ 21,114,579
Surplus of receipts over payments	<u>3,492,390</u>	<u>2,471,882</u>
Cash balance, end of year	<u>\$ 27,078,851</u>	<u>\$ 23,586,461</u>
 Represented by:		
Cash in hand	\$ 80	\$ 59,968
Petty cash	6,694	3,156
Current account	787,280	1,546,416
Savings account	132,586	62,627
Short term investments	<u>26,152,211</u>	<u>21,914,294</u>
	<u>\$ 27,078,851</u>	<u>\$ 23,586,461</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

1. Registration and Objectives:

The Society is registered under the Co-operative Society Act Ch: 81:03. Its objectives are to promote the economic welfare of its members, encouraging the spirit and practice of thrift, self-help and co-operation and to promote the development of co-operative ideas.

2. Accounting Policies:

The accounting policies of the Credit Union are based on generally accepted accounting principles. The most significant of these are summarised below:

(a) Basis of Accounting -

These financial statements have been prepared in accordance with International Financial Reporting Standards on the historical cost basis and no account has been taken of the effects of inflation.

(b) Income Recognition -

Interest on loans is recognised on a cash basis consistent with previous years. Except as stated above, the accruals basis of accounting has been used for the recording of income and expenses.

(c) Depreciation -

Depreciation is provided for on a straight-line basis at rates designed to write-off the respective costs of fixed assets over their estimated useful economic lives as follows:-

Building and building improvements	-	2%
Computer equipment and software	-	20%
Office furniture and equipment	-	14%
Telephone system	-	20%
Security equipment	-	10%

(d) Foreign Currency -

Assets denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 December 2004

2. **Accounting Policies (Cont'd):**

(e) Investments -

The Society's investments are classified as available-for-sale and held-to-maturity.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as "available-for-sale" in accordance with International Accounting Standard (IAS) #39.

These investments are carried at their fair values. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in the Investment Re-measurement Reserve and would be transferred to the Income Statement on the disposal of these investments. All short-term investments of the Society are considered available-for-sale.

Investments with fixed or determinable payments and fixed maturity, that the Society has the positive intent and ability to hold to maturity are classified as "held-to-maturity" in accordance with IAS 39 and are stated at cost.

(f) Use of estimates -

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the income and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 December 2004

3. **Cash in Hand and at Bank:**

	31 December	
	<u>2004</u>	<u>2003</u>
Cash in hand	\$ 80	\$ 59,968
Petty cash	6,694	3,156
RBTT Bank Limited - Current account	787,280	1,546,416
- US\$ Savings account	<u>132,586</u>	<u>62,627</u>
	<u>\$ 926,640</u>	<u>\$ 1,672,167</u>

4. **Short-term Investments:**

	31 December	
	<u>2004</u>	<u>2003</u>
Fixed deposits	\$ 18,698,861	\$ 13,577,413
Money Market Funds	<u>8,693,142</u>	<u>8,823,724</u>
	<u>\$ 27,392,003</u>	<u>\$ 22,401,137</u>

5. **Accounts Receivable and Prepayments:**

	31 December	
	<u>2004</u>	<u>2003</u>
Interest receivable	\$ 287,673	\$ 30,769
Payroll deductions receivable	1,205,567	1,127,483
Other receivables	84,823	150,157
Insurances prepaid	<u>31,499</u>	<u>24,648</u>
	<u>\$ 1,609,562</u>	<u>\$ 1,333,057</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 December 2004

6. Other Investments:

	31 December	
	<u>2004</u>	<u>2003</u>
<u>Available-for-sale</u>		
Quoted investments	\$ 5,109,405	\$ 3,785,035
Unquoted investments	901,555	899,455
 <u>Held-to-maturity</u>		
Bonds – Government of Trinidad and Tobago	40,000	120,000
	<u>\$ 6,050,960</u>	<u>\$ 4,804,490</u>

The cost of available-for-sale investments as at 31 December 2004 is **\$4,074,829**.

7. Loans to Members:

Loans to members are stated at principal outstanding net of a provision for loan losses. The provision for loan losses is based on management's evaluation of the performance of the loan portfolio under current economic conditions and past loan loss experience.

	31 December	
	<u>2004</u>	<u>2003</u>
Outstanding principal balances	\$ 39,516,902	\$ 36,194,987
Less: Provision for loan losses	(923,200)	(803,200)
	<u>\$ 38,593,702</u>	<u>\$ 35,391,787</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*
31 December 2004

8. Fixed Assets:

<u>Cost</u>	<u>Freehold land</u>	<u>Building-Trinity</u>	<u>Computer equipment and software</u>	<u>Office furniture and equipment</u>	<u>Telephone system</u>	<u>Security equipment</u>	<u>Building improvements</u>	<u>Total</u>
Balance as at 1 January 2004	\$ 522,345	\$ 2,250,316	\$ 360,759	\$ 497,935	\$ 48,741	\$ -	\$ 276,391	\$ 3,956,487
Additions	-	-	31,190	7,720	-	32,152	135,922	206,984
Disposals	-	-	-	2,933	-	-	-	2,933
Balance as at 31 December 2004	<u>522,345</u>	<u>2,250,316</u>	<u>391,949</u>	<u>502,722</u>	<u>48,741</u>	<u>32,152</u>	<u>412,313</u>	<u>4,160,538</u>
Accumulated Depreciation								
Balance as at 1 January 2004	-	444,663	191,324	337,825	18,087	-	34,392	1,026,291
Charge	-	45,006	50,283	33,897	8,572	1,253	5,528	144,539
Disposals	-	-	-	2,463	-	-	-	2,463
Balance as at 31 December 2004	-	<u>489,669</u>	<u>241,607</u>	<u>369,259</u>	<u>26,659</u>	<u>1,253</u>	<u>39,920</u>	<u>1,168,367</u>
Net Book Value								
Balance as at 31 December 2004	<u>\$ 522,345</u>	<u>\$ 1,760,647</u>	<u>\$ 150,342</u>	<u>\$ 133,463</u>	<u>\$ 22,082</u>	<u>\$ 30,899</u>	<u>\$ 372,393</u>	<u>\$ 2,992,171</u>
Balance as at 31 December 2003	<u>\$ 522,345</u>	<u>\$ 1,805,653</u>	<u>\$ 169,435</u>	<u>\$ 160,110</u>	<u>\$ 30,654</u>	<u>\$ -</u>	<u>\$ 241,999</u>	<u>\$ 2,930,196</u>

9. Accounts Payable and Accruals:

	31 December	
	<u>2004</u>	<u>2003</u>
Audit fees	\$ 27,237	\$ 27,600
Value Added Tax payable	2,718	3,843
CUNA claims	126,310	56,038
CUNA insurance	26,960	52,953
Interest payable	347,948	872,167
Other payables	14,493	17,714
Government tax on fixed deposit interest	111,089	62,029
Accruals	79,482	78,770
Stale-dated cheques	<u>137,950</u>	<u>122,107</u>
	<u>\$ 874,187</u>	<u>\$ 1,293,221</u>

10. Share Capital:

According to the Bye-Laws of Aero Services Credit Union Co-operative Society Limited, the share capital of the Society may be composed of an unlimited number of shares of \$1.00 each.

11. Investment Re-Measurement Reserve:

As at 31 December 2004, the Society's available-for-sale investments had again been re-measured to their fair values and the resulting unrealized gain of **\$1,930,885** has been transferred to the Investment Re-measurement Reserve in accordance with IAS 39.

12. Dividends:

The Board of Directors has proposed a dividend of 8% for the year ended 31 December 2004. This is not recorded as a liability in accordance with IAS 10.